

**MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE MEETING**  
**Thursday 17 May 2018 at 10am**

Members Present: Aine Gallagher (Non-Executive Member – Chair)  
Gillian Body (Non-Executive Member)  
Pat Cumiskey (Non-Executive Member)

In Attendance: Pamela McCreedy (Chief Operating Officer)  
Rodney Allen (Director)  
Colette Kane (Director) – for Risk Management  
Richard Ross (Audit Manager – for Finance)  
Brian McFetridge – External Audit (Baker Tilly Mooney Moore)  
Lee Glover – Internal Audit (Haines Watt)  
Norma Connelly (Senior Auditor)  
Louise Donnelly (Secretary)

Apologies: Paul Douglas (Non-Executive Member)

**Pre-Meeting of Committee Members only**

A meeting of Committee members took place before the main meeting.

**Confidential meetings with Internal and External Audit**

The Committee met with Internal Audit and subsequently with External Audit for private discussions.

Other attendees were then invited to join the meeting.

The Chair asked for the pre meeting of non-executive committee members to be added as a standing item to the agenda each month.

**1. Apologies**

Apologies were noted from Paul Douglas.

**2. Declaration of Conflicts of Interest**

There were no issues declared by the Committee members or attendees.

**3. Minutes of Meeting held on 27 February 2018**

The Chair noted that the circulated pack of Committee papers had contained an earlier version of the draft minutes and queried if all parties concerned had received the revised draft that incorporated Committee member comments. N Connelly confirmed that she had subsequently emailed the revised draft to all parties concerned.

The Committee approved the minutes of the meeting subject to one minor amendment Members sought and obtained confirmation from management that a year-end assurance on IT assist would also be provided.

The Chair requested that, going forward the minutes should reflect the substance of the meeting rather than seek to capture a verbatim record of what was discussed.

#### **4. Risk Management**

##### **Assurance Statement**

C Kane presented the Annual Assurance Statement for the year (1 April 2017 to 31 March 2018). She advised that all members of the NIAO Directorate have signed the statement that they are content that risk was managed during the year.

C Kane referred to paragraph 4 of the Statement addressing changes to the risks in the Corporate Risk Register (CRR) and the reasons for change.

The Committee noted the Assurance Statement provided.

##### **Corporate Risk Register (CRR)**

C Kane advised that at their last meeting the Corporate Risk Register Working Group (CRRWG) had aligned the CRR to the Strategic Corporate Framework and, although risk appetites have been assigned to each risk, scores have not yet been added. She noted that SMT had endorsed the revised draft of the CRR at their recent meeting. C Kane assured the Committee that the scoring would be completed and presented to SMT before coming to members for the next meeting of the Committee in June.

C Kane explained that the CRR now has three key risks which have been mapped across from the previous version of the register, as outlined in the cover sheet presented to the Committee. The Committee queried the removal of the previous risk 'reputational damage through staff conduct'. Management provided assurances that NIAO still recognises the possible risk and that adequate policies and measures have been established to manage and control any issues that may arise in this respect. Other possible reputational risks are incorporated within the new risks as indicated in the mapping.

The Committee sought clarification on the role of the External Panel Review referred to in the Assurance Framework. P McCreedy explained the role and contribution of the Panel in reviewing published VFM reports. R Allen advised that a reference to the Panel is included in the Office's Annual Report. Management confirmed that all NIAO staff have been briefed of the content and scores from the last Panel meeting.

With regard to the description of risk appetite on page 3 of the CRR - members suggested considering the use of more dynamic and positive language, particularly on Risk 3, to better demonstrate how ambitious and innovative the NIAO aim to be as an organisation.

The Committee recognised the amount of work that had and was being undertaken on developing the Corporate Risk register, and was keen to see the swift completion of that work to enable the Committee and Management to focus more on the management of risks than on presentation of the Register. As a consequence of this ongoing work on the CRR, the planned in-depth review by the Committee of the management of an individual risk was deferred to a subsequent meeting.

##### **Summary of Whistleblowing, Grievances, complaints**

R Allen briefed the Committee on the paper, highlighting the reduction in cases since 2016-17. A short discussion followed and the Committee was advised that all staff have now attended bullying and harassment training and a new policy issued. Dignity at work advisers have been trained and appointed.

In response to a query about the Freedom of Information complaint case, N Connelly advised that the complaint has now been lodged by the whistleblower with the Information Commissioners Office.

The Committee welcomed the reduction in the number of complaints compared with recent years.

#### **Issues Log**

The Committee was advised there were no significant issues to report. The Committee discussed the nil return and whether the Office was capturing issues and complaints appropriately, including near misses, which would support learning and improvement within the Office. R Allen advised that policies and systems are in place and had been communicated to staff.

Members proposed that NIAO consult the other public audit agencies on how they define and report on any issues that may arise.

### **5. Internal Audit**

#### **Progress Against Audit Recommendations**

At the February meeting, the Committee requested that the schedule on progress in implementing audit recommendations should include external as well as internal audit recommendations. Members were advised that the amber rating arising from the Information Governance Report is still outstanding and there has been a few months' slippage on the target date with rescheduled completion by 31 August 2018.

There were no external audit recommendations outstanding.

The Committee noted the progress made.

#### **Internal Audit Assurance Statement (draft)**

The Internal Auditor reported that sufficient Internal Audit work had been undertaken to allow him to reasonably draw a positive conclusion as to the adequacy and effectiveness of NIAO risk management, control and governance processes. The Summary of Audit Outcomes show a total of 17 recommendations: 15 rated green and two amber. It was reported there was some small slippage on performance against draft report turnaround times; however, the final report turnaround performance was better than had been targeted.

The Committee noted the positive assurance in para 6.2 of Internal Audit's Annual Report for 2017-18.

Members noted the performance indicators at Appendix C of the Annual Report and queried if Internal Audit routinely sought feedback from the relevant NIAO lead for each audit. Internal Audit advised they have a follow-up meeting but obtain no formal written feedback and suggested that a questionnaire could be drafted if the Committee required it. The Committee discussed the current arrangements where there is an end of year assessment of Internal Audit by Management, and whether requiring feedback on each Internal Audit review would, in practice, be sought from the same one or two people within the NIAO. It agreed that the existing arrangement of an annual evaluation could be argued as being proportionate to the size of NIAO. It suggested that Internal Audit and Management reflect further on whether a

more formal feedback mechanism for each audit, or tranches of internal audit, could be of benefit.

#### **IA Strategy 2018-19**

L Glover noted that, in preparing their Internal Audit Strategy for 2018-19, they had reviewed the Corporate Risk Register of NIAO. He explained the thinking behind the relative prioritisation of audits and advised that they had taken on the views of the Committee at their previous discussion, with the exception of reinserting an audit of business continuity into their plan for 2018-19 at the request of Management. The Committee discussed the plan and in particular debated the merits of including business continuity planning in the programme for the year and deferring the work on contracting out audit until the following year. P McCreedy explained NIAO's current position for the remainder of the year in refreshing its procurement of financial audit services with partnership firms. The Committee was content to subsequently endorse the strategy put forward by internal audit. Members agreed that, in advance of the start of each internal audit, Internal Audit would bring an audit brief to the Committee for consideration.

#### **6. Cyber Security Assessment**

R Allen explained that the National Audit Office's good practice guide "Cyber Security and Information Risk Guidance for Audit Committees" was published last year. NIAO has used this guidance to develop a Cyber Security questionnaire to conduct a review. The outcome of the review shows a high level of compliance but some minor areas of weakness were identified. An action plan has been developed to address the areas of concern. Members noted the results of the review and the assurances provided.

#### **GDPR**

Copies of new draft Data Protection Policy, draft Privacy Policy and an update on actions for GDPR introduction were provided to the Committee. Members were advised that the draft policies had been endorsed by SMT and were currently with trade union side for consideration. Members noted the information provided and assurances that the Office was well advanced in its preparation for the introduction of the Regulation.

#### **7. Finance**

R Ross provided an update on the current financial position for 2018-19.

He then explained the Annual Report and Accounts for 2017-18 are close to completion and will be in final form for the Committee meeting scheduled for 19 June. R Ross provided members with an overview of the Performance Report, Governance Statement, Financial outturns and income for the year.

Members provided some initial feedback on the Annual Report and Accounts. In particular, members noted that the positive messages in the Annual Report were undermined by a rather traditional style of presentation. The Committee considered this approach a missed opportunity to showcase the work of the Office and urged Management to look to the increasingly innovative approaches employed by other public audit offices to develop a more visually appealing and engaging style. Members agreed to review the Annual Report and Accounts and discuss in a conference call, following which the Chair will report any detailed comments back to R Allen and R Ross.

The Committee at a previous meeting had recommended management look at developing an income generation strategy to consider the scope and merits of pursuing additional revenue streams. R Ross advised this paper is currently being drafted for consideration by SMT.

The Committee queried the review process undertaken by NIAO in the preparation of its Financial Statements and were concerned that the process this year had not included a review by the NIAO technical lead as had been discussed and agreed at previous Committee meetings. The meeting discussed the reasons for the change in approach by the NIAO and compared this approach with the practice of the other public audit institutions. R Allen outlined the process applied by NIAO for 2017-18 and undertook to discuss this process in a finance forum meeting of the other audit institutions.

**8. A.O.B.**

Next meeting 19 June 2018.

**AUDIT RISK ASSURANCE COMMITTEE – 17 MAY 2018 - MATTERS ARISING FROM MEETING**

ISSUE	TARGET DATE	RESPONSIBILITY	PROGRESS/ OUTCOME
<b>Issues arising from meeting of 20 February 2018</b>			
<b>Corporate Risk Register</b> - Revised CRR to be communicated to all staff as part of the introduction of the new Corporate Plan	31 March 2018	C Kane	
<b>Issues arising from meeting of 17 May 2018</b>			
Members to provide feedback on the Annual Report and Accounts	25 May 2018	N Connelly A Gallagher	Complete
The pre meeting of non-executive committee members to be added as a standing item to the agenda each month.	ongoing	N Connelly	Complete
<b>Corporate Risk Register</b> - members suggested considering the use of more dynamic and positive language, particularly on Risk 3, to better demonstrate how ambitious and innovative the NIAO aim to be as an organisation.	19 June 2018	C Kane	Actioned in latest version of CRR.
<b>Corporate Risk Register</b> - the planned in-depth review by ARAC of the management of an individual risk was deferred to a subsequent meeting.	September 2018	A Gallagher	
<b>Internal Audit and Management</b> to discuss if a more formal feedback mechanism for each audit, or tranches of internal audit, could be of benefit.	September 2018	Internal Audit Management	
<b>Internal Audit</b> - Members agreed that, in advance of the start of each internal audit, Internal Audit would bring an audit brief to ARAC for consideration	Ongoing	Internal Audit	
R Allen to discuss the review process applied by audit institutions in the preparation of their Financial statements, at finance forum meeting of the other audit institutions.	Ongoing	R Allen	